United Nations E/2010/SR.6

Economic and Social Council

Provisional

24 June 2010

Original: English

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

Provisional summary record of the 6th meeting
Held at Headquarters, New York, on Friday, 19 March 2010, at 10 a.m.

President: Mr. Hamidon Ali ..... (Malaysia)

Contents

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (*continued*)

Thematic debate of the whole on Theme 2: "Supporting rehabilitation, recovery and development efforts of developing countries with special needs and those facing humanitarian emergency situations"

(a) *Preview of the World Bank flagship publication,* World Development Report 2011: "Conflict, Security and Development", *by Ms. Sarah Cliffe, Special Representative and Director, World Development Report, World Bank*

(b) *Preview of the United Nations Conference on Trade and Development publication,* "The Least Developed Countries Report 2010", *by Mr. Charles Gore, Special Coordinator for Cross-sectoral Issues, Division for Africa, Least Developed Countries and Special Programmes, United Nations Conference on Trade and Development*

Informal interactive dialogue

Corrections to this record should be submitted in one of the working languages. They should be set forth in a memorandum and also incorporated in a copy of the record. They should be sent *within one week of the date of this document* to the Chief, Official Records Editing Section, room DC2-750, 2 United Nations Plaza.

10-28003 (E)

Please recycle

The meeting was called to order at 10.05 a.m.

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (*continued*) (E/2010/11)

Thematic debate of the whole on Theme 2: "Supporting rehabilitation, recovery and development efforts of developing countries with special needs and those facing humanitarian emergency situations"

(a) Preview of the World Bank flagship publication, World Development Report 2011: "Conflict, Security and Development", *by Ms. Sarah Cliffe, Special Representative and Director, World Development Report, World Bank*

1. **Ms. Cliffe** (Special Representative and Director, *World Development Report*, World Bank) said that in preparing the annual *Report*, the World Bank normally spent nine or ten months analysing data before holding consultations on the findings. For the 2011 *Report*, however, it had held those consultations much earlier in the process for three reasons: first, because the topic for the *Report* was "Conflict Security and Development", it had been considered important to seek input and guidance from international institutions more directly involved in security issues; second, the lessons learned in that area were evolving rapidly; and, third, in the past, the global policy debate on the topic had been dominated by the Organization for Economic Cooperation and Development (OECD) countries and it had been considered important to reflect a wide range of countries and regional institutions in the *Report*. The Bank was halfway through that process and the findings that she would share had not been fully validated; she would welcome comments from the participants in the meeting. Joint processes had been held with the United Nations Development Programme (UNDP) Bureau for Crisis Prevention and Recovery and input papers had been received from the World Food Programme (WFP), the United Nations Children's Fund (UNICEF), the Department of Political Affairs and the Department of Peacekeeping Operations.

2. The drafters had found that conflict and high levels of violence had a significant impact on achievement of the Millennium Development Goals (MDGs). Although less than 50 per cent of all developing countries were in situations of conflict, those countries accounted for 70 to 80 per cent of the deficit in achievement of the Goals, particularly in the areas of infant and under-five mortality, lack of access to secondary education, unattended births and lack of access to drinking water. Thus, the adverse impact of conflict on development should be taken into account in preparation for the September 2010 high-level plenary meeting of the General Assembly on the Millennium Development Goals (the "MDG Summit").

3. There was some evidence that the recognized links between conflict and development needed to be updated in order to reflect twenty-first century realities such as post-conflict-settlement violence, gang violence, organized crime and cross-border conflicts. Until the late 1990s, there had been little fighting after the end of a peace process. Since then, however, that situation had changed dramatically: the annual percentage of global battle deaths accounted for by post-conflict-settlement violence had risen from 5 per cent to as high as 40 per cent and the number of countries affected by such violence had risen from one or two per year to eight to 10 per year. In the past decade, aid programmes and peacekeeping operations had been deployed to areas with ongoing post-conflict insecurity far more often than in the previous 20 years. Those statistics confirmed what practitioners had reported: they were working in increasingly insecure environments.

4. The links between different types of violence had first been noted in Latin America, where there had been a sharp rise in homicides; indeed, some Central American Member States had identified that issue as one of their core development problems. Many of the States concerned, including Guatemala and El Salvador, had initially had successful post-conflict settlements but were now faced with drug and gang violence at levels equivalent to those of their recent civil wars. Similar problems had been noted in parts of South Asia and West Africa.

5. Cross-border violence had also been studied. The international debate had focused on high-profile attacks, but the drafters of the *Report* had examined less-noticed types of violence that were seriously hindering countries' development; examples included organized crime, trafficking networks and movements such as the Lord's Resistance Army, which had originally been national in nature but was now committing attacks across six neighbouring countries.

6. The causes of conflict risk had been studied in terms of the stress placed on societies and their ability to restore confidence in situations of high conflict risk. Stresses could be either internal, such as youth unemployment and rising inequality, or external, such as climate change, trafficking and other economic shocks. The recent decision to emphasize external factors had emerged from early consultations with conflict-affected States, which had urged that the regional environment should be taken into account.

7. Consideration had been given to societies' degree of resilience to conflict risk. The 2011 *Report* would include, for the first time, case studies that were not limited to middle- and low-income countries but included violence in Northern Ireland and gang violence in Los Angeles. It was clear that countries with fewer economic and institutional resources found it harder to respond to such problems.

8. Social cohesion — trust in society and national institutions — was an area to which the Bank needed to pay greater attention. The drafters had also considered States' ability to call on regional and international assistance at need. Such assistance could diminish stresses arising from regional and global problems and, when provided upon request, could supplement national capacities. The *Report* would reflect the "track record" of donors, including the Bank itself, in providing assistance.

9. The links between security, development and justice issues and their role in restoring confidence during situations of conflict risk had been studied. In their review of country cases and their regional consultations, the drafters had found that successful conflict prevention and recovery programmes focused not on the entire range of development activities, but on more targeted issues such as restoring citizens' confidence in their security, providing economic hope through job creation and providing local-level justice and signals of inclusion to marginalized groups. While the Bank could address only one of those issues, it had found consistently that all three were necessary to a successful post-conflict outcome. One slightly worrying initial finding was that international development assistance programmes paid relatively little attention to areas such as agriculture, the police and the judiciary, and job creation.

10. Confidence could not be restored through international action since the population was well aware that long-term peace and stability must rely on national institutions, which must therefore be strengthened. International expectations of institutional reform were often unrealistic; for example, her team had visited Haiti in late 2009, prior to the recent earthquake, and had held consultations with the Government, civil society and international actors. At that time, Haiti had been expected to conduct a constitutional review; pursue a fundamental reform of its police; enact legislation in several sectors; restructure its economy, civil service and administration; reform its justice system; and conduct anti-corruption and anti-drug-trafficking drives, all within a 12-to-18-month period that would also include two national elections. No developed country could have enacted such sweeping reforms on that timetable. By setting unrealistic goals, the international community could unintentionally damage the recipient countries. The drafters of the *Report* would be looking at countries that had successfully completed extensive reforms in order to determine how much time had been required.

11. International dialogue in such areas was often uncoordinated, an issue that was relevant to the work of both the Council and the Peacebuilding Commission. Typically, the international financial institutions focused on economic restructuring and corruption; international security bodies on security reform, insurgency and trafficking; and the diplomatic community on elections and other political issues. Lack of communication among the three types of assistance providers could overload expectations of the pace of reform.

12. In some cases, the institutional models that recipients of international assistance were expected to adopt were unnecessarily rigid and based on Western institutions, rather than on the practices of other countries of the region or of countries that had faced similar challenges. In the past 50 or 60 years, countries that had successfully recovered from conflicts had tended to innovate to a considerable extent in response to local needs and realities. Institutional reform in a difficult political economy could also be a two-edged sword; while successful completion could increase resistance to conflict in the long term, it also created winners and losers and could therefore give rise to political backlash and increased conflict in the short term. There was evidence that the timing of elections and political reforms could have that effect; the

drafters were considering whether the same was true of economic and civil service restructuring, empowerment of disadvantaged groups, security actions against traffickers or insurgents and anti-corruption drives.

13. It was too early in the process to formulate recommendations. However, it might be wise for post-crisis programmes to pay more attention to prevention; the establishment of the Peacebuilding Commission showed that the United Nations was aware of that problem and the Commission was working on the question of whether post-crisis assistance programmes needed to focus more closely on prevention issues. Attention should also be paid to inequities in funding: the current rules of financing tended to provide a great deal of assistance to States in which civil wars had occurred and almost none to States that were trying to prevent them.

14. With regard to national ownership, international standards and institution-building, the drafters hoped to be able to provide guidance on realistic timing and international benchmarks and were exploring principle-based standards that would provide greater flexibility than procedural or institutional models. A greater role for South-South exchanges was also called for.

15. Concerning regional initiatives, the majority of the Bank's international assistance programmes targeted individual nation States; regional programmes represented a largely untapped potential. Possible approaches might include development programmes for insecure border areas; support for more general economic integration from the perspective of peacebuilding, rather than purely economic, returns; and efforts to address regional and global problems such as economic shocks, food insecurity and trafficking.

16. The drafters were beginning to look at a cluster of operational issues linked to the quality of support received from international institutions, including speed of response, the appropriateness of financing facilities and the risk management dilemma whereby institutions' desire to assist conflict-affected countries was balanced against their preference for risk-free aid programmes.

17. States' progress in diminishing high levels of conflict risk was not always reflected accurately in standard development measurements. Progress towards the MDGs was critical in conflict-affected regions, but such situations often took time to resolve. For example, in 2007 and 2008, the Government of Timor-Leste had conducted a successful peacebuilding programme that had decreased levels of violence and reintegrated displaced persons who accounted for over 20 per cent of the population, but that achievement had not been recognized in the international framework of measurements.

18. The *Report* provided a platform for global debate and an opportunity for the Bank to work with other partners, including at events such as the Council's annual meeting with the Bretton Woods institutions. Regional consultations were also conducted, most recently with the African Union; a consultation with the Association of Southeast Asian Nations (ASEAN) was planned for early April 2010. Partnership with the United Nations was particularly important because while the Bank could provide analysis and recommendations in the *Report*, it was not always the institution best placed to provide follow-up.

(b) Preview of the United Nations Conference on Trade and Development publication, "The Least Developed Countries Report 2010", *by Mr. Charles Gore, Special Coordinator for Cross-sectoral Issues, Division for Africa, Least Developed Countries and Special Programmes, United Nations Conference on Trade and Development*

19. **Mr. Gore** (Special Coordinator for Cross-sectoral Issues, Division for Africa, Least Developed Countries and Special Programmes, United Nations Conference on Trade and Development), accompanying his statement with a computerized slide presentation, said that it was important to examine emerging development challenges and to look at elements of a new policy framework for development in the least developed countries. The 2010 report would specifically consider the issue of international support measures for those countries.

20. The least developed countries had grown more quickly in the 2000s than in the 1990s, exceeding the 7 per cent growth target of the Brussels Programme of Action. However, approximately one quarter of them were performing poorly and the sustainability of their growth was questionable because it had been dependent on high commodity prices and increased external finance. That type of growth had not been effective in reducing poverty and in 2009, the global

financial crisis had put those countries further off target.

21. The decreased incidence of poverty and child mortality in least developed countries that began in 1994. Since the adoption of the Millennium Declaration in 2000, however, progress in those areas had been slower than was needed in order to achieve the MDGs by 2015. Indeed, owing to population growth, the absolute number of people living below the poverty line had increased.

22. The underlying problem, which would be critical for the coming decade, was employment. Given their demographics, the least developed countries would have many new entrants to the labour force for years to come and were facing a blocked structural transition because, owing to population growth, farms were becoming smaller and increasingly were located on marginal land. In the face of rural poverty, more people were seeking employment outside agriculture but there were insufficient job opportunities, leading many of them to move to urban areas and engage in criminal activity in order to survive. In addition, the least developed countries had undertaken deep trade liberalization and had open economies that were highly integrated with the global economy, with which they were finding it difficult to compete. That could be seen in their levels of food imports, which had risen significantly, despite the fact that urbanization should have stimulated agricultural production.

23. Major challenges included the growing importance of knowledge and technology, the effects of climate change, increasing South-South flows and the effects of the global financial crisis, which included negative per capita growth in one third of the least developed countries in 2009, a reduction in total export revenues, steep falls in private capital flows and lower remittances in most of those countries. Aid flows in 2010 and 2011 were going to be very important.

24. The global financial crisis was complex and had arisen amid radical global inequality and great interdependence. Global institutions were inadequate and investment banks granted bonuses that exceeded the gross domestic product (GDP) of poor nations. New approaches and policy frameworks were needed and must concentrate on developing productive capacities: not merely export supply capacities, but the capacity to create goods and services within an economy that depended on the accumulation of productive resources, infrastructure, trained people, technological capabilities, economic diversification and linkages. The role of the State and regional policies must adapt, shifting away from ideology towards pragmatism.

25. Good development governance was being given greater consideration. Unlike old-style development planning, it focused not only on participation, fairness, decency, accountability and transparency, but also on the purposeful promotion of national development and on using the authority of the State to catalyse structural transformation, create productive opportunities and raise living standards. Good development governance would benefit from a mixed economy model in which the State provided a vision, supported the development of institutional and organizational capabilities, coordinated activities within the economic system and managed conflicts to ensure that the costs and benefits or growth and crises were socially acceptable. Sectoral development policies were a necessary element of both agriculture and industry within a growth-oriented macroeconomic policy. The most successful of the least developed countries had pursued agricultural productivity growth and had reduced poverty, mainly through that growth and through linkages between farmers and local services and industries that could lead to structural transformation and growth of a local enterprise sector.

26. In order for developing States to adapt to the twenty-first century, greater importance must be given to democracy with bottom-up participation of citizens. In order to grow, the least developed countries required a more targeted approach that built on existing centres of policy excellence and strategic incrementalism rather than sweeping reforms. Policies must be adapted on the basis of experience, guided by national leadership and development vision. Donors must ensure country ownership and policy space since the least developed countries did not have the domestic resources needed for modern financial governance. The introduction of aid management policies at the recipient country level was a powerful tool for increasing aid effectiveness. However, donors must reorient their ODA towards the rebuilding of State capacities and advocate a rebalancing of the composition of aid towards production sectors and economic infrastructure. Regional action was also required for the development of productive capacities, including through increased cooperation within regions

and the inclusion of new development partners with a view to the exchange of experience and South-South cooperation.

27. International support mechanisms, the theme of the 2010 report, must be made more effective. Most of the existing special measures for the least developed countries focused on trade and must be broadened in order to address, inter alia, the infrastructure challenge. New international support mechanisms must be created in order to address challenges such as new knowledge and technologies, adaptation to and mitigation of climate change, increasing the developmental impact of foreign direct investment (FDI) and creating links to global value chains.

Informal interactive dialogue

28. **Mr. Aguirre** (Chile), speaking on behalf of the Rio Group, said that he agreed with the representative of UNCTAD regarding the importance of national ownership and the need to formulate and implement public policies for development. The Rio Group remained committed to cutting risks related to natural disasters within the framework of the Hyogo Framework for Action.

29. He asked whether the representative of the World Bank thought that there were unrealistic expectations regarding achievement of the MDGs in regions of conflict and in post-conflict countries.

30. **Mr. Acharya** (Observer for Nepal), speaking on behalf of the Group of Least Developed Countries, said that the underlying reasons for conflicts were complex but that poverty, deprivation and exclusion were among the key causes. In addition to a secure environment and justice, the availability of employment for young people and women in post-conflict countries was a great stabilizing factor, as was management of the expectations of the people. The challenge for vulnerable countries was to generate national capacities and ownership while ensuring strong international solidarity and partnership. There was no shortcut; engagements must be long-term, with a massive scaling-up of efforts to promote the internal capacities of countries so that they could deal with situations on their own. Progress in such situations was not always linear and coordinated efforts must complement national commitments, in order to prevent relapses into national conflict during economic downturns. It was not only desirable, but imperative, for all actors in the increasingly integrated modern world, to support national efforts to break the conflict-and-poverty cycle.

31. The least developed countries appreciated the consensus-building approach taken by the United Nations Conference on Trade and Development (UNCTAD) in the preparation of its flagship report. No one single approach could address the deep-rooted structural constraints of a globalized, competitive world. The least developed countries desired integrated development in order to ensure its sustainability. Many of the policy tools of the past were no longer available; however, new development opportunities were available to vulnerable economies and new capacities must be put in place in order for them to take advantage of those opportunities. The least developed countries called for international solidarity through official development assistance (ODA), effective market access, debt relief, FDI, technology transfers, and support from civil society and philanthropic organizations. Multiple crises had made life perilous in least developed countries that had already been volatile; they needed dedicated and substantive mechanisms to tide them over during such crises. He hoped that the next UNCTAD report would delve more deeply into the issues that he had raised.

32. **Mr. Rosenthal** (Guatemala), referring to the link between the special situation of countries emerging from conflict and achievement of the MDGs, said that many small countries with open economies were hard-hit by declines in fiscal revenue because the macroeconomic crisis had led to a reduction in imports and their tax systems relied on collection from foreign trade.

33. The demand for security and justice rose when public spending on security fell, and increased crime must be countered through employment generation. Civil security was an obvious area where the United Nations, the World Bank and other multilateral bodies could work together. Situations of conflict could not be overcome in the short term; problems could arise even 10 or 15 years after peace agreements were signed. There was a need for joint efforts to overcome the economic effects of conflicts and their consequences for democratic governance.

34. **Mr. Feyder** (President, Trade and Development Board, United Nations Conference on Trade and Development) said that one of the main causes of

poverty was the deficit in food production owing in part to the liberalization undertaken by the least developed countries, which had the lowest import duties in the world. In addition to the problems faced by small agricultural producers, there was an enormous rural exodus of people who moved to the cities to seek employment, often in vain. In Haiti, for example, the duty on trade goods had been reduced from 50 per cent to 3 per cent as part of structural adjustment programmes, making the country less and less self-sufficient in food. He would like to know what the World Bank's reaction would be if the Government of Haiti increased those rates in order to protect its small farmers. Regarding Goal 8 of the MDGs, concerning open trade, the poorest and most vulnerable countries must be allowed some discretion in order to protect peasants and farmers, who were the most affected by poverty, hunger and malnutrition.

35. **Mr. Kvasov** (Dean, Board of Directors, World Bank) said that the application of sound social science to issues of economic importance proved that multilateral actors could unite to address the issue of poverty. The creation of productive capacity was an excellent example of a way to make a difference in sustainable development so that the MDGs could be achieved and higher levels of development sustained.

36. **Mr. Edmond** (Association Femmes Soleil d'Haïti) said that Haiti had received assistance from the United Nations agencies present in the country after the earthquake of 12 January 2010. The Government and society had had to take urgent steps to protect health and communications; the people had shown their solidarity and his organization had sent victims to health centres and shelters. However, security and health problems remained.

37. Haiti depended on the United Nations to lead assistance efforts during the reconstruction process, which would be a long-term undertaking. That reconstruction was an opportunity to build a new egalitarian society based on social justice and inclusion. The medium- and long-term priorities were decent housing, revitalization of economic activity, professional training for youth, awareness-raising for both women and men, and support for civil society.

38. **Ms. Wahab** (Observer for Indonesia) said that Indonesia had learned from the 2004 tsunami in Aceh, after which strong leadership had provided needed direction and swift decisions. Coordination among donors, international organizations and local agencies had delivered aid to the affected population and enhanced the Government's response. Vulnerable and marginalized groups had been consulted and had made a contribution, and local community resources and volunteers had been invaluable in absorbing the most immediate shocks caused by the disaster. Tracking funds had been central to preventing corruption and ensuring integrity and accountability.

39. The Jakarta Commitment on Aid for Development Effectiveness had taken mutual accountability into the broader development context with a view to more effective and inclusive partnerships for development. While support and partnership with donor countries and international agencies after a disaster was critical, there must be a reduction in the number of organizations on the ground and in the lag time and delays between pledges and delivery of aid, and any excess in the assistance or aid provided to a given sector must be reallocated.

40. **Ms. Davies** (Australia) said that the presentations given by the panel showed that there was no single recipe for achieving the Goals. The Director for the *World Development Report*, in particular, had stressed that MDG strategies should include peacebuilding and should take into consideration the challenges faced by the least developed countries. The Peacebuilding Commission's increasingly prominent role in assisting post-conflict countries made its 2010 *Review* all the more important. Both presentations had highlighted the fact that countries could not be expected to implement every possible reform at once; models imposed from outside could be inappropriate and detrimental.

41. The presentations had also stressed the importance of agriculture as a livelihood and of job creation. Greater attention should be given to Goal 1 of the MDGs; many donors had withdrawn from agriculture, but the World Bank, Australia and others were returning to that sector. The liberalization of agricultural trade would help the least developed countries promote that sector.

42. The presentations had paid comparatively little attention to gender; she wondered whether that perspective would be included in the 2011 *World Development Report* and in the 2010 *Least Developed Countries Report*.

43. **Mr. Patriota** (Brazil) said that many developing countries, including his own, were concerned that aid

effectiveness tended to become an ideology, creating rigidities and preventing new concepts or forms of cooperation from taking root. Countries emerging from disasters were called upon to "build back better", but such calls often implied a negative opinion of what had gone before; each country had its own culture and identity. OECD had attempted to harmonize an approach to aid and cooperation that had been hugely influential in the United Nations system and elsewhere.

44. Both presenters had emphasized South-South cooperation and had expressed criticism of the "good governance agenda". He wondered whether they could envision an international support mechanism or development assistance framework that could act as an alternative to the OECD aid effectiveness platform while supporting South-South, triangular and other forms of cooperation.

45. **Mr. Sumi** (Japan) recalled that the UNCTAD Special Coordinator had suggested replacing old-style development planning with that of good development governance. He would welcome any further ideas on how the new concept would be defined. The Special Coordinator had rightly stressed that pragmatism should be valued over ideology. It was important to assess the effectiveness of South-South aid, which was a symbol of solidarity.

46. Disaster reduction strategies were already in place; the Hyogo Framework for Action was one example. However, many disaster reduction plans had never been tested and existed only on paper. The United Nations and the World Bank should look at ways to evaluate those plans before they were needed.

47. **Mr. Jordan** (Observer for the Business Civic Leadership Center (Chamber of Commerce, United States of America), accredited through the International Chamber of Commerce) said that some 3,000 companies in the United States of America functioned as corporate citizens and invested in external affairs. Collectively, they would amount to the fifth or sixth largest development agency; however, each of them had limited resources, and they did not aggregate. Their second-largest response to date had been to the January 2010 earthquake in Haiti, but long-term recovery was the most difficult challenge. Companies were focusing increasingly on sustainability, resilience and mitigation.

48. Over the previous 10 years, virtually all international development agencies had engaged in public-private cooperation. It would be interesting to have an evidence-based assessment of the correlation between various development assistance factors and sustainable development. From a business perspective, what mattered was the strengths that could be built on in any given country in order to create an incentive for further engagement. On 7 and 8 April 2010, the Business Civil Leadership Center would organize a conference at United Nations Headquarters on investing in the MDGs.

49. **Mr. Braga** (Acting Vice-President and Corporate Secretary, World Bank) recalled that the *World Development Report* Director had warned against excessive expectations with regard to the pace of reforms. At the same time, organizations learned from experience: the enhanced Heavily Indebted Poor Countries (HIPC) debt initiative and the Multilateral Debt Relief Initiative (MDRI) were being implemented more flexibly and rapidly than in the past.

50. In the case of Haiti, the World Bank had been in a good position to offer assistance because the country had already reached the completion point under the enhanced HIPC initiative. Even before the January 2010 earthquake, Haiti had been at high risk of debt distress; the focus had therefore been on grants rather than loans and further debt relief had been extended in the wake of the earthquake.

51. In developed countries, coherence should generally begin at home and was most easily achieved under a strong, well prepared Government. Where the State was fragile, the donor community took on an additional burden in terms of coordination. The representative of Brazil had warned against treating aid effectiveness as a dogma. However, the good governance agenda did have an important role to play; no one was suggesting bad governance as an alternative.

52. UNCTAD had been preparing its *Least Developed Countries Report* for 10 years; he wondered if the Special Coordinator could elaborate on the lessons learned during that time. In his presentation, the Special Coordinator had stated that the linkage between urban and agricultural development in least developed countries had been weakened as a result of trade liberalization. He found it difficult to believe that UNCTAD was advocating agricultural protectionism and would welcome clarification.

53. **Mr. Priyadarshi** (Director, Development Division, World Trade Organization) said that 32 least developed countries were members of the World Trade Organization (WTO) and a number of others were in the process of becoming members. Such countries faced a range of challenges, including their small share of global trade, extreme export concentration, preponderance of primary exports with little value added, and lack of productive capacity.

54. A conclusion to the Doha Round would help address such issues. Least developed countries would be exempt from reduction commitments in services and could obtain a waiver for preferential access. Under the special safeguards mechanism they would, under certain circumstances, be able to raise tariffs. Through the enhanced integrated framework, those countries also stood to gain from the Aid for Trade initiative. It was important to ensure that the Fourth United Nations Conference on Least Developed Countries led to specific deliverables.

55. **Mr. Zinsou** (Observer for Benin) said his delegation was pleased that the international financial institutions were becoming aware of the internal constraints faced by vulnerable States and were reassessing the policies imposed in the past under the Washington Consensus. The greater the conditionalities imposed on a country, the lower its capacity to absorb them and to ensure stability. It was important to evaluate the political impact of the reforms required by the international financial institutions in order to reach a new partnership in managing the risks involved, the timing of reforms and the availability of resources.

56. He welcomed the international financial institutions' new sensitivity to the importance of social cohesion and their willingness to recognize the role of the State in promoting stability for economic growth. In assessing debt sustainability, it was important to take into account the internal debt that continued to burden vulnerable States.

57. **Mr. de Bassompierre** (Belgium) said that the issuance of the 2011 *World Development Report* would be timely as the nexus of conflict, security and development deserved further analysis. Natural resources were at the centre of many conflicts, whether because of the stress caused by their scarcity, their use to finance conflicts, illegal trafficking, or post-conflict reconstruction. He wished to know whether the *World Development Report* would address those issues.

58. **Mr. González Segura** (Observer for Mexico) said that Mexican Government and society had mobilized to assist Haiti after the January 2010 earthquake. He asked how such efforts could be channelled and coordinated at the international level.

59. The concept of human security in the context of development was a broad one; he would like to know how it could be applied in practice.

60. The representative of Brazil had rightly pointed out that aid efforts should be pragmatic rather than ideological; the concept of aid efficiency should help coordinate efforts in the best possible way. The High-Level Event on South-South Cooperation and Capacity Development, to be held in Bogotá on 24 and 25 March 2010, would address that topic; he wondered if the panellists could comment on the matter.

61. **Ms. Ochir** (Mongolia) said that landlocked developing countries faced specific needs: transit and transport costs accounted for 6 to 8 per cent of her country's annual GDP. In order to resolve the issue, Mongolia had been negotiating a trilateral framework agreement, which she hoped would be concluded in the near future. Landlocked developing countries were attempting to enhance their analytical capabilities and find ways of offsetting their geographical handicap; in July 2009, the Think Tank on Trade and Landlocked Developing Countries had been established in Mongolia and her Government was working to conclude an intergovernmental agreement that would allow the Think Tank to begin research on ways for those countries to improve their trade infrastructures and to benefit from Aid for Trade initiatives. Several projects were being developed with a view to the improvement of economic vulnerability indicators. She would appreciate any comments on the value of those indicators and their applications for Mongolia's bilateral and multilateral partners.

62. **Mr. Follain** (France) said that although fragile States needed assistance the most, they also presented donors with the greatest difficulties; conditions on the ground often hampered the delivery of assistance efforts. Such cases required specific approaches, which should be based on methodological considerations while respecting the competence and mandates of each actor. Peacebuilding was primarily the responsibility of the United Nations, although the World Bank played a supporting role. There was a need to improve early warning mechanisms, taking into account both the

contingent and the structural dimension. Peacekeeping, peacebuilding and reconciliation were increasingly interconnected. The civilian dimension of the situation must be addressed even where political problems persisted, for example in Afghanistan, Iraq and Kosovo. With regard to capacity-building, the panellists had rightly stressed the importance of justice and State legitimacy. France had played an active role in such issues, for instance in the Balkans and, through the European Union, in the Democratic Republic of the Congo and Somalia. The upcoming Group of Eight Summit would address those questions in greater detail.

63. **Mr. Bachmann** (Observer for Switzerland) said that because the United Nations system was moving towards an increasingly integrated approach to crisis management, it was important for the World Bank Group to take part in the search for solutions. His delegation encouraged the United Nations and the Group to increase their cooperation on such matters.

64. The State had an important part to play in fostering productive capacities for economic development. Decentralized entities such as local or regional governments could also make a strong contribution as they were often closer to the processes that mattered for poorer populations. He asked what role the Special Coordinator envisaged for decentralized State entities.

65. **Mr.** Hardeep Singh **Puri** (India) said that it was essential to account for the current crisis in development cooperation. The issue was not only the failure of donor countries to meet their commitments; the daily work of international organizations was also affected. For several years, WTO had been holding multilateral trade negotiations, ostensibly with a view to a development agenda. Developing countries had been subjected to severe pressures during the Uruguay Round and had agreed to the current negotiations only in order to promote development. It was time to assess what had been achieved.

66. UNCTAD was supposed to be the proper forum for examining trade and development issues in an integrated manner. He wished to know what precisely UNCTAD had done in real terms to help the developing countries most affected by the crisis caused by toxic assets in the United States and Europe.

67. The specialized mandate and orientation of IMF and the World Bank were well known. However, in the context of peacebuilding, the question was how to ensure peace and economic recovery in fragile States where between 50 and 75 per cent of the nation's youth was unemployed. The fulfilment of commitments made by countries of the North had slowed down even further. At the same time, indications for South-South cooperation were positive. India had increased its development cooperation in parts of Africa; in addition to the US$ 3 billion in concessional lines of credit that had already been delivered, a further US$ 5.4 billion had been announced. India had contributed to the United Nations Peacebuilding Fund and was prepared to do so again. However, there was a need for increased cooperation; economic recovery and peacebuilding could not take place without job creation.

68. **Mr. Dilekli** (Turkey) said he hoped that the Fourth United Nations Conference on Least Developed Countries, to be held in Istanbul in 2011, would help address the issues under discussion. In order to tackle the root causes of poverty, it was vital to foster economic growth. National governments had a role to play in that process; strong market-building and market-supporting institutions should be established, in particular in the least developed countries, and public institutions should help generate an environment in which entrepreneurs could feel confident.

69. Turkey's experience showed the importance of structural reforms and of establishing institutions that could understand, implement and enforce them. The international community, and especially the international financial institutions, should assist the least developed countries towards that end. The administrative cost of such activities should be covered not by middle-income countries alone, but distributed on a more equitable basis.

70. **Mr. Treffers** (Executive Director, World Bank) said that he represented the Netherlands and 12 other countries on the Executive Board of the World Bank and worked with low- and middle-income countries and donor shareholders. Mr. Robert Zoellick, President of the World Bank Group, had established post-conflict and fragile States as one of the six strategic themes of his presidency.

71. He was pleased that the 2011 World Development Report would provide more data and analysis on the way forward. The challenge for the Bank would be to operationalize its outreach to developing countries.

Better coordination was needed and the Bank stood ready to develop workplans with the United Nations system; however, in light of the many agencies involved, he would like to hear the views of the Department of Political Affairs, the Department of Peacekeeping Operations, the Bureau for Crisis Prevention and Recovery and the Peacebuilding Commission on how a consolidated cooperation agreement with the Bank could be developed.

72. **Mr. Ovalles-Santos** (Bolivarian Republic of Venezuela) said that the low-income and developing countries were particularly vulnerable to natural disasters and humanitarian emergencies, as seen recently in Haiti and Chile. His Government had cancelled Haiti's debt to his country for a total of US$ 400 million and had provided an additional US$ 100 million in assistance after the recent earthquake. Governments had a key role to play in promoting sustained growth with a view to poverty reduction; he would appreciate it if the UNCTAD Special Coordinator would comment on that issue, and particularly on the State's role in creating productive capacity and promoting reconstruction and development.

73. **Mr. Siwakoti** (President, International Institute for Human Rights, Environment and Development) stressed that the poor bore the brunt of natural and man-made disasters and that women and children were the hardest hit by all forms of violence. Power-hungry warlords, cross-border arms dealers, unfair trade practices, ethnic strife, religious intolerance and war led to massive human rights violations and untold suffering, and small island States and those of the Himalayan belt were especially vulnerable to natural disasters. Conflicts resulted in displacement, discrimination and social, economic and political instability. All those factors had created a permanent floating population with no hope of achieving the MDGs by 2015. And, ironically, it was often the developed countries that provided the demand for trafficked and exploited labour.

74. He associated himself with the representative of Nepal's statement regarding the role of international partnerships in effective intervention. His organization recommended that a human-rights-centred rescue plan should be adopted, that all debt should be cancelled for countries that were unable to finance achievement of the MDGs from domestic resources owing to humanitarian emergencies, and that a victim support and reparation programme should be established.

75. **Mr. Hassani Nejad Pirkouhi** (Observer for the Islamic Republic of Iran) said that development must be based on productive employment, especially in the agriculture and industry sectors. However, the past 20 years had seen a continuing decline in ODA for agriculture and in light of the anticipated population increase, the prospects were not encouraging. He wondered how constructive the international financial institutions were in promoting changes in mindset and increasing their own relevance.

76. The recent financial crisis had been caused by developed countries that had first created disorder in their own financial systems and then called for the developing countries to institute good governance, which, while essential to sustainable development, must be viewed as a universal principle; the concept of democratic governance should extend to the international financial bodies.

77. **Ms. Cliffe** (Special Representative and Director, World Development Report, World Bank), replying to questions from the participants in the meeting, said that the importance of job creation to development was a major focus of the Bank's work; job creation was an important factor in the prevention of violence and in crisis recovery, although it must be combined with efforts to improve governance and promote a sense of inclusion.

78. With respect to long-term sustainability, the *World Development Report* would include a section on longer-term reforms that increased resilience to conflicts, such as broadening access to assets, to services and, over time, to leadership positions.

79. In reply to the question from the representative of Australia, she said that the *Report* would examine the impact of violence on women and their role in preventing violence and promoting recovery. In that context, however, "gender" should refer to both sexes since violence also had a disproportionate impact on young men.

80. Concerning the comments made by the Observer for Indonesia, she said that she welcomed the lessons learned from the 2004 tsunami in Aceh; a consultation meeting in Jakarta was planned for early April 2010. Indonesia's provision of assistance to the Association of Southeast Asian Nations (ASEAN) operation in

Myanmar was an excellent example of South-South cooperation.

81. The drafters of the *Report* would be looking at the issues of mutual accountability and earmarking of assistance. The representative of Brazil had drawn attention to the rigidity of the aid effectiveness debate and of institutional models, which was a core theme in the *Report*'s treatment of institution-building. It was preferable to move away from procedural models and to focus on outcomes; there were various ways of doing so. With regard to the harmonization debate, efforts were being made to address the proliferation of donor missions to countries and of reporting requirements. It would be useful for OECD and the Development Assistance Committee to build on those efforts, and they had shown themselves willing to do so.

82. In reply to the Senior Vice President and Executive Director of the Business Civic Leadership Center, she said there was evidence that countries with strong institutions and without security problems delivered more return per assistance dollar; for that reason, as the representative of France had noted, aid had not always been provided where it was most needed. The business community should view the provision of assistance to countries affected by conflict as something akin to venture capital; the risks were high but the potential returns were enormous.

83. As the representatives of Mongolia and WTO had pointed out, landlocked countries and landlocked regions of larger countries had a higher risk of violence; greater access and connectivity were needed.

84. The representative of Belgium had spoken of the need for natural resource management. Such resources, where present, could lead to struggles for control of the State because of its wealth; conversely, natural disasters could provide a disincentive for illegal activity by making it less lucrative.

85. Concerning the remarks made by the Observer for Mexico, she said that the recent focus on human security had been very helpful by putting families and households at the centre of the debate. For practical reasons, however, it was often necessary to focus on civic security and protection.

86. The representative of Chile had asked whether the expectations of progress towards the MDGs were realistic for countries in conflict or post-conflict situations. She had spoken of unrealistic expectations in the context of the speed of institutional reforms and the difficulty of dialogue among the diplomatic community, the security community and international financial institutions. However, some countries, such as Mozambique and Burundi, had made rapid progress towards the Goals despite a background of conflict and destruction. It was important to take stock of the situation, to realize that the issues that she had raised were central to achievement of the Goals by 2015 and to increase efforts rather than backing away from the commitments that had been made.

87. **Mr. Gore** (Special Coordinator for Cross-Sectoral Issues, Division for Africa, Least Developed Countries and Special Programmes, United Nations Conference on Trade and Development) said while he had no specific answer to the question raised by the Observer for the Islamic Republic of Iran, the international community should bear in mind the centrality of the issue of productive employment for the international financial architecture. In *The Least Developed Countries Report 2010*, UNCTAD had looked at that issue in the context of the broader development architecture, which was currently unsatisfactory; credible, pragmatic suggestions for its improvement were needed.

88. He welcomed the Observer for Nepal's comments regarding the need to adopt an integrated approach and to take recent crises into account.

89. Concerning the comments made by the representative of Australia, he said that the 2010 *Report* did not focus heavily on the gender dimension of productive capacity. It did, however, stress the importance of employment opportunities for women's buying power. International support mechanisms would not be addressed from a gender perspective, but their relationship to increased productive capacities and employment would be discussed.

90. He agreed with the representative of Brazil's remarks concerning the rigidity of the current approach to aid effectiveness. The 2008 *Report* had included a section entitled "The Paris Declaration and the drive to improve aid effectiveness", in which it was argued that the indicators used to measure ownership in the Paris process were inappropriate and that aid management policies at the level of the recipient countries were essential. Countries should look at their own indicators, using the Paris Process as appropriate, in

order to specify the types of aid that they wished to receive; that approach had proved effective in Uganda. That issue should now be linked to the Development Cooperation Forum so that countries which had introduced aid management policies could share their experience. Governments could also use such policies to coordinate North-South and South-South cooperation at the internal level.

91. A number of delegations had raised issues concerning governance and the role of the State. No one was suggesting that States should adopt bad governance, but it was important to view it as a package of both institutions and policies and of both procedures and outcomes, particularly economic development outcomes in terms of the production structure and employment. Exchange of experience among developing countries was a key benefit of South-South cooperation. Local government was important not only in the context of service provision, but of innovative sources of financing for promoting local-level enterprise development. It was important to be pragmatic, not ideological, in considering the proper role of the State.

92. In reply to the Acting Vice-President and Corporate Secretary of the World Bank, he said that he tended to be conservative on the issue of agricultural protectionism; it was difficult to ask countries that had already made rapid reforms to reverse them. However, as the President of the UNCTAD Trade and Development Board had suggested, all available options under the current WTO framework should be considered. For example, Sierra Leone currently imported its rice from Thailand and might be unable to emerge from conflict without developing domestic rice production; either tariffs or smart subsidies were needed in such cases.

93. Concerning the comments by the representative of Mongolia, he said that in the case of landlocked countries, it was important to look specifically at certain aspects of vulnerability; for example, those countries' enterprises needed large inventories that were expensive to maintain.

94. Volatility and vulnerability were key aspects of the broader issue of human security that had been raised by the representative of Mexico.

95. Responding to the Observer for India, he said that the financial crisis marked a turning point in the current 30-year-old development policy; the analyses conducted by UNCTAD played a valuable role in increasing awareness of that issue.

96. He agreed with the Executive Director of the World Bank on the need for coherence, but diversity also had value and could lead to new policies and ideas. An open policy coordination process was needed, but so was policy innovation.

The meeting rose at 1.10 p.m.